

SENATE BILL 3960  
By Beavers

AN ACT to amend Tennessee Code Annotated, Title 67,  
Chapter 4, Part 20 and Title 67, Chapter 4, Part  
21, relative to credits against the franchise and  
excise taxes for expenses of employee education.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-4-2009, is amended by adding  
the following language as new subdivision (10):

(10)

(A) There shall be allowed as a credit against the sum total of the taxes imposed by the franchise tax law, compiled in part 21 of this chapter, and by the excise tax law, compiled in this part, fifty percent (50%) of the qualified educational expenses paid by a taxpayer for study by an eligible employee who is not a relative of a director or officer of the taxpayer or a director's or officer's spouse or former spouse to complete an associate or a baccalaureate degree at an eligible postsecondary institution. A taxpayer may receive a tax credit for the qualified educational expenses of an eligible employee for ninety-six (96) semester hours; provided, however, that a taxpayer may receive a tax credit for the qualified educational expenses of an eligible employee for one hundred twelve (112) semester hours, if the employee is enrolled in an undergraduate degree program requiring more than one hundred twenty (120) hours to complete. A tax credit for qualified educational expenses for a course shall only be available after successful completion of the course. No tax credit shall be available for educational expenses of an employee who has earned a baccalaureate degree.

(B) The tax credit provided under this subdivision shall be available in the first tax year after the employee's completion of the course for which the credit is granted. If the amount of such tax credit allowed any taxpayer for any income year exceeds the total amount of excise and franchise taxes, without reduction for such tax credit, any balance of the credit remaining may be claimed against the taxes imposed for any of the three (3) income years next succeeding.

(C) As used in this subdivision, unless the context otherwise requires:

(i) "Director" and "officer" include any person who has direct authority over the affairs of an employer however denominated or who owns a controlling interest in an employer;

(ii) "Eligible employee" means an employee of the taxpayer who is twenty-five (25) years of age or older and who has successfully completed at least twenty-four (24) semester hours of credit accepted by the eligible postsecondary institution at which the employee is enrolled as general education credit or credit in the employee's major field;

(iii) "Eligible postsecondary institution" has the same meaning as the term does in §49-4-902;

(iv) "Qualified educational expenses" means tuition and any mandatory fees that are required for attendance by an employee at an eligible public postsecondary institution, or, if an employee is enrolled in an eligible independent postsecondary institution, the average of tuition and any mandatory fees that would be charged at eligible public postsecondary institutions for a similar course; and

(v) "Relative" means a lineal descendant or lineal ancestor, a brother or sister or lineal descendant of a brother or sister, or an aunt or

uncle or a lineal descendant of an aunt or uncle. For purposes of this subdivision, a legally adopted child of an individual shall be treated as the child of such individual by blood.

SECTION 2. The commissioner is authorized to promulgate rules and regulations to effectuate the purposes of this act. All such rules and regulations shall be promulgated in accordance with the provisions of Tennessee Code Annotated, Title 4, Chapter 5.

SECTION 3. This act shall take effect July 1, 2006, the public welfare requiring it.